

FISCAL NOTE
SB 7 - HB 13
FIRST EXTRAORDINARY SESSION

April 16, 1999

SUMMARY OF BILL: Authorizes persons who are Tennessee residents as of each April 15, and who were Tennessee residents for the preceding 12 months, to receive a sales tax refund if they meet the following conditions: 1) For an adult taxpayer in a household with a household income equal to or less than the current federal poverty level for such year, \$50 per adult family member and \$50 per dependent. 2) For an adult taxpayer in a household with a household income equal to or less than 125% of the current poverty level for such year, \$25 per adult family member and \$25 per dependent. 3) For a taxpayer in a household with a household income over 125% but below 200% of the federal poverty level, and who is 65 years of age or older, \$25 per adult family member and \$25 per dependent. The Commissioner of Revenue would be authorized to promulgate rules for the issuance of checks and the processing of returns. A refund check would automatically be forwarded to all eligible taxpayers who file federal income tax returns. Refund checks paid to married taxpayers that file jointly would be issued in the names of both filing spouses. Adult taxpayers who do not file federal income tax returns or who seek refunds for more than five dependents would be required to file an annual return. In a household that does not file a federal income tax return, only one adult taxpayer would be authorized to file a refund claim that covers dependents. The general sessions court in a county where a refund check is mailed would have exclusive jurisdiction to settle disputes as to the ownership of the refund check. Any taxpayer that seeks a refund would be entitled to the remedies contained in the general provisions of present state tax law. Any person who knowingly or recklessly provides false or misleading information on a refund claim form or a federal tax return, which causes such person to receive a refund, would commit a Class A misdemeanor. Refund checks would only be valid for 90 days after the date of issuance.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$44,805,000

Increase State Expenditures - Exceeds \$500,000 Recurring
Exceeds \$300,000 One-Time

Estimate assumes the following:

- Taxpayers are only eligible for one refund based on a single classification.
- Tennessee population is approximately 5,400,000.
- Approximately 772,200 Tennessee residents are below the federal poverty level.
- Another 247,800 Tennessee residents are below 125% of the federal poverty level.
- The total number of Tennessee residents that are 65 years of age or older and are below 200% of the federal poverty level is unknown.
- The decrease in state revenues for tax refunds is calculated as follows: $[(772,200 \times \$50) + (247,800 \times \$25)] = \$44,805,000$.
- The increase in state expenditures is estimated to exceed \$800,000, of which an amount exceeding \$500,000 is for recurring costs in the Department of Revenue for implementation expenses with an amount exceeding \$300,000 for one-time expenses.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



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James A. Davenport, Executive Director